



# ***Business Plans***

## ***Prospective Payment Budgeting***

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**OASD (Health Affairs)**

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# Outline

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 **MTF Level Business Plans**

 **Market Area Business Plans**






 **Regional Business Plans**

 **Output Driven Resource Allocation**



# Why Business Plans and New Resource Allocation Method?

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-  **Need to be able to forecast health care needs and purchased care requirements**
-  **Coordinate care in multi-market regions**
-  **Place accountability for care at MTF**
-  **Be able to explain deviations from plan**
-  **Base budgets on outputs, not inputs**



# MTF Business Plans



**Starting with historical levels, MTFs will create business plans based on a standard template (handouts) and using standard measures to answer the following business questions:**

- How many people do you expect to enroll?
- What amount of health care do you expect your enrollees to demand?
- What amount of health care do you expect your facility(s) to produce? What amount will be for non-enrollees?
- How are you going to meet the demands of your enrollees for health care that you can not provide?
- What manpower resources will you have to produce health care?
- What other major changes in your facility(s) will affect the amount of health care you produce?



# MTF Business Plans Enrollment Template

Enrollment																				
								DMSID			=	89								
	Enrollees			Plan				Enrollees			Plan				Enrollees			Plan		
Bencat	Gender	Age Group	History	FY03	FY04	FY05	Bencat	Gender	Age Group	History	FY03	FY04	FY05	Bencat	Gender	Age Group	History	FY03	FY04	FY05
AD	M		0				ADFM	M	0 to 4	6,484	6,330	6,347	6,348	Ret/Others	M	0 to 4	129	122	113	109
			0						5 to 14	8,799	9,022	8,969	8,996			5 to 14	737	756	728	701
		15 to 17	17	17	17	18			15 to 17	1,348	1,346	1,337	1,317			15 to 17	417	450	448	443
		18 to 24	13,377	16,416	16,506	16,496			18 to 24	958	983	983	979			18 to 24	520	630	634	633
		25 to 34	13,589	15,196	15,170	15,115			25 to 34	407	410	408	401			25 to 34	84	84	85	89
		35 to 44	6,816	8,017	7,929	7,815			35 to 44	273	242	244	245			35 to 44	787	752	694	648
		45 to 64	772	1,001	926	874			45 to 64	107	107	104	99			45 to 64	2,870	3,290	3,402	3,512
						65+		0	0	0	0	65+	0		0	0	0			
	F							F	0 to 4	6,199	6,019	6,023	6,058		F	0 to 4	104	108	104	101
									5 to 14	8,630	8,759	8,763	8,804			5 to 14	711	708	678	656
		15 to 17	5	1	2	4			15 to 17	1,410	1,428	1,420	1,406			15 to 17	414	457	446	429
		18 to 24	2,002	2,393	2,384	2,377			18 to 24	5,767	5,507	5,531	5,540			18 to 24	586	659	663	663
		25 to 34	1,869	2,216	2,167	2,111			25 to 34	9,675	9,123	9,172	9,135			25 to 34	203	208	202	198
		35 to 44	682	892	843	799			35 to 44	4,843	4,859	4,833	4,815			35 to 44	1,070	1,057	1,000	944
		45 to 64	87	121	113	107			45 to 64	935	928	930	918			45 to 64	3,015	3,469	3,551	3,624
	0				65+	0				65+	0	0	0	0						
	Total	39,215	46,270	46,057	45,716		Total	55,835	55,063	55,063	55,063		Total	11,649	12,750	12,750	12,750			
Empanelled TRICARE Plus			4,188	4,188	4,188	4,188	Enrollees													
								Plan												
								History	FY03	Change	FY04	Change	FY05	Change						
All Bencats								106,700	114,083	7,383	113,870	(212)	113,530	(341)						



# MTF Business Plans

## Inpatient Template

Health Care Plan												
				<b>DMISID</b>	<b>=</b>	<b>89</b>						
		DOD										
History		Normative	Enrollee				Care for Other	Space-A	Space-A	Plus Care	TFL Care	Total
		Demand	Demand	In-house	Other DC	Purchase	Enrollees	AD	Non-AD	<65	(65+)	In-house
RWPs	OB - 14	1,516	1,418	1,286	27	106	291	31	116	0	0	1,725
	GYN - 13	304	245	160	30	56	52	3	16	0	11	243
	Newborn - 1	771	700	57	0	643	22	0	929	0	0	1,008
	Respiratory	410	385	221	20	143	93	21	90	0	206	632
	Ortho - 8	690	792	488	144	159	138	163	42	0	111	942
	Mental Health	146	119	93	11	16	23	38	6	0	10	170
	Digestive - 6	548	429	307	45	77	122	38	77	0	138	682
	Circulatory -	630	470	131	43	297	44	12	66	0	249	502
	Nervous - 1	375	313	106	33	174	39	17	30	0	41	232
	ENT -3	144	266	217	15	34	49	111	13	0	9	400
	Other	1,245	1,169	770	104	295	273	98	160	0	236	1,537
	Total	6,780	6,307	3,836	472	1,998	1,147	533	1,546	0	1,011	8,074
FY03		Normative	Enrollee				Care for Other	Space-A	Space-A	Plus Care	TFL Care	Total
		Demand	Demand	In-house	Other DC	Purchase	Enrollees	AD	Non-AD	<65	(65+)	In-house
RWPs	OB - 14	1,500	1,433	1,298	27	107	294	32	118	0	0	1,742
	GYN - 13	310	248	162	30	56	53	3	16	0	12	245
	Newborn - 1	751	707	58	0	650	22	0	938	0	0	1,018
	Respiratory	429	389	224	20	145	94	21	91	0	208	638
	Ortho - 8	762	800	493	146	161	139	164	43	0	112	952
	Mental Health	162	120	94	11	16	23	39	6	0	10	172
	Digestive - 6	583	433	310	46	77	123	39	78	0	139	689
	Circulatory -	675	475	132	44	300	45	13	66	0	252	507
	Nervous - 1	398	316	107	34	175	39	17	30	0	41	235
	ENT -3	159	269	220	15	34	50	112	14	0	9	404
	Other	1,313	1,180	778	105	298	276	99	162	0	238	1,552
	Total	7,041	6,370	3,875	477	2,018	1,158	538	1,561	0	1,021	8,154



# MTF Business Plans Outpatient Template

Health Care Plan												
				DMISID	=	89						
History		Normative	Enrollee				Care for Other	Space-A	Space-A	Plus Care	TFL Care	Total
		Demand	Demand	In-house	Other DC	Purchase	Enrollees	AD	Non-AD	<65	(65+)	In-house
RVUs	Primary Care	289,511	245,260	222,874	13,029	9,357	17,940	20,051	21,329	62	15,679	297,936
	Emergency	48,441	38,175	28,417	2,774	6,984	9,360	6,166	7,139	10	3,448	54,541
	Mental Health/Social Work	129,359	164,550	113,233	6,047	45,270	11,954	24,351	4,575	4	1,451	155,567
	Ortho/Phys Ther	102,590	92,021	79,117	7,201	5,703	15,339	15,092	7,142	0	4,317	121,007
	Internal Med Sub	3,746	40,118	29,579	2,521	8,018	9,154	2,966	3,188	4	7,652	52,543
	Surgery	13,369	23,109	17,481	1,627	4,000	5,623	1,741	1,825	28	3,774	30,473
	Surgery Sub	12,632	10,665	6,876	1,233	2,556	2,124	532	975	26	2,466	12,999
	Ophthalmology/Optometry	54,875	61,801	43,847	3,011	14,943	9,579	9,963	1,815	5	4,652	69,860
	OB/GYN	67,563	59,890	52,759	2,364	4,767	13,821	1,300	4,803	2	480	73,166
	ENT	14,005	12,788	6,929	366	5,493	1,647	559	441	0	483	10,059
	Dermatology	8,834	6,888	5,271	334	1,283	1,470	482	383	0	375	7,981
	Facility	28,749	21,206	0	0	21,206	0	0	0	0	0	0
	Radiology	5,204	2,425	0	0	2,425	0	0	0	0	0	0
	Anesthesiology	1,220	790	0	0	790	0	0	0	0	0	0
	Pathology	1,516	599	0	0	599	0	0	0	0	0	0
	Home Health Care	755	657	0	0	657	0	0	0	0	0	0
	Other	27,253	34,694	27,925	2,781	3,988	7,860	6,667	1,826	1	2,679	46,958
	Total	809,622	815,636	634,308	43,289	138,038	105,871	89,872	55,440	142	47,457	933,090
Plan FY03		Normative	Enrollee				Care for Other	Space-A	Space-A	Plus Care	TFL Care	Total
		Demand	Demand	In-house	Other DC	Purchase	Enrollees	AD	Non-AD	<65	(65+)	In-house
RVUs	Primary Care	305,521	250,165	227,332	13,289	9,544	18,299	20,452	21,756	63	15,993	303,894
	Emergency	50,307	38,939	28,985	2,830	7,124	9,548	6,290	7,282	10	3,517	55,632
	Mental Health/Social Work	140,238	167,841	115,497	6,168	46,176	12,193	24,838	4,666	4	1,480	158,679
	Ortho/Phys Ther	114,296	93,861	80,699	7,345	5,817	15,646	15,394	7,285	0	4,404	123,427
	Internal Med Sub	4,133	40,921	30,170	2,572	8,179	9,337	3,025	3,252	4	7,805	53,594
	Surgery	14,244	23,571	17,831	1,660	4,080	5,735	1,776	1,862	29	3,850	31,083
	Surgery Sub	13,553	10,878	7,013	1,258	2,607	2,166	543	995	26	2,515	13,259
	Ophthalmology/Optometry	60,085	63,037	44,724	3,071	15,242	9,770	10,162	1,852	5	4,745	71,258
	OB/GYN	68,052	61,088	53,814	2,411	4,863	14,097	1,326	4,899	2	490	74,629
	ENT	14,833	13,044	7,068	374	5,603	1,680	571	450	0	492	10,260
	Dermatology	9,478	7,026	5,377	341	1,308	1,500	492	390	0	382	8,141
	Facility	30,275	21,630	0	0	21,630	0	0	0	0	0	0
	Radiology	5,538	2,474	0	0	2,474	0	0	0	0	0	0
	Anesthesiology	1,310	805	0	0	805	0	0	0	0	0	0
	Pathology	1,500	611	0	0	611	0	0	0	0	0	0
	Home Health Care	782	670	0	0	670	0	0	0	0	0	0
	Other	29,495	35,388	28,484	2,836	4,068	8,017	6,800	1,862	1	2,733	47,897
	Total	863,638	831,948	646,994	44,155	140,799	107,988	91,670	56,549	144	48,407	951,752



# MTF Business Plans Manpower Template

Manpower Plan									
					DMISID	=	89		
History		Assigned FTEs	Available Contract FTEs	Available Mil/Civ FTEs	Available Other FTEs	Borrowed Military	Borrowed Other	Loaned Military	Loaned Other
Inpatient	General Surgeon	0	1	8	0	2	0		
	Surgery Sub-specialists	0	0	6	0	1	0		
	Internists	0	0	2	0	0	0		
	Family Practice	0	0	2	0	0	0		
	Radiologists	0	0	0	0	0	0		
	Anesthesiologists	0	0	0	0	0	0		
	Nurse Anesthetists	0	0	0	0	0	0		
	Residents/Interns	0	0	1	0	0	0		
	Other Providers	0	3	9	0	0	0		
	Nurses	86	19	75	0	4	0		
	Other Nonproviders	72	16	68	0	12	0		
	Total	158	41	170	0	19	0		
Outpatient	Providers								
	Primary Care								
	Physicians	44	19	28	0	10	0		
	NP/PA	23	3	19	0	11	0		
	Other Prof	2	5	2	0	0	0		
	Residents/Interns	5	0	17	0	0	0		
	Emergency	19	5	9	0	0	0		
	Mental Health/Social Work	16	1	17	0	1	0		
	Ortho/Phys Ther	27	5	20	0	4	0		
	Internal Med Sub	13	1	9	0	1	0		
	Surgery	11	1	4	0	2	0		
	Surgery Sub	2	0	2	0	1	0		
	Ophthalmology/Optomety	10	2	7	0	2	0		
	OB/GYN	20	2	15	0	1	0		
	ENT	2	0	2	0	0	0		
	Derm	2	1	1	0	0	0		
	Other	21	0	16	0	0	0		
	Support Staff	343	73	284	0	43	5		
	Total	558	119	452	0	77	5		
Other	Providers								
	Radiologist	10	1	9	0	0	0	0	0
	Anesthesiologists	4	3	4	0	0	0	0	0
	All Other Providers	197	29	190	0	28	0	2	0
	NonProviders	1,155	320	1,091	0	204	25	1	1
	Total	1,366	353	1,293	0	232	25	3	1
Total	Providers	426	84	398	0	64	0	2	0
	NonProviders	1,655	429	1,518	0	264	29	1	1
	Total	2,082	512	1,915	0	328	30	3	1





# MTF Business Plans

## Planning behind the Templates

### Business Plan templates are only the end result of health care planning - Examples:

- Are there changes in the population in the MTF area?
  - Unit movements
  - Retiree Marketing
  - End result: Changes in Enrollment
- Are programs being instituted for Utilization/Demand Management?
  - Nurse Triage
  - Discharge Planning
  - End Result: Changes in Enrollee Demand



# MTF Business Plans Planning behind the Templates

## Further examples:

- Are there changes in the manpower being assigned?
  - Loss of providers
  - Closing of Services
  - New civilian hires
  - End result: Changes in FTEs, changes in Workload
- Are programs being instituted to improve clinic efficiency ?
  - Open Access
  - Increase in exam rooms
  - Increase in support staff
  - End Result: Changes in Enrollment, Workload
- Are programs being instituted to manage referrals?
  - End Result: Shift in Workload from enrollee purchased care to enrollee MTF care



# MTF Business Plans Issues

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## Pharmacy

- How to count

## Ancillary

- Source of data
- How to count

## MTF to MTF referrals in Market Areas

- Needed for coordination of services





## Updates

- Current
- Annual, Semiannual



# Why Regional Business Plans?

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-  **Need to be able to forecast health care needs and purchased care requirements**
-  **Insure adequacy of networks**
-  **Be able to explain deviations from plan**
-  **Better budgeting**



# Regional Business Plans



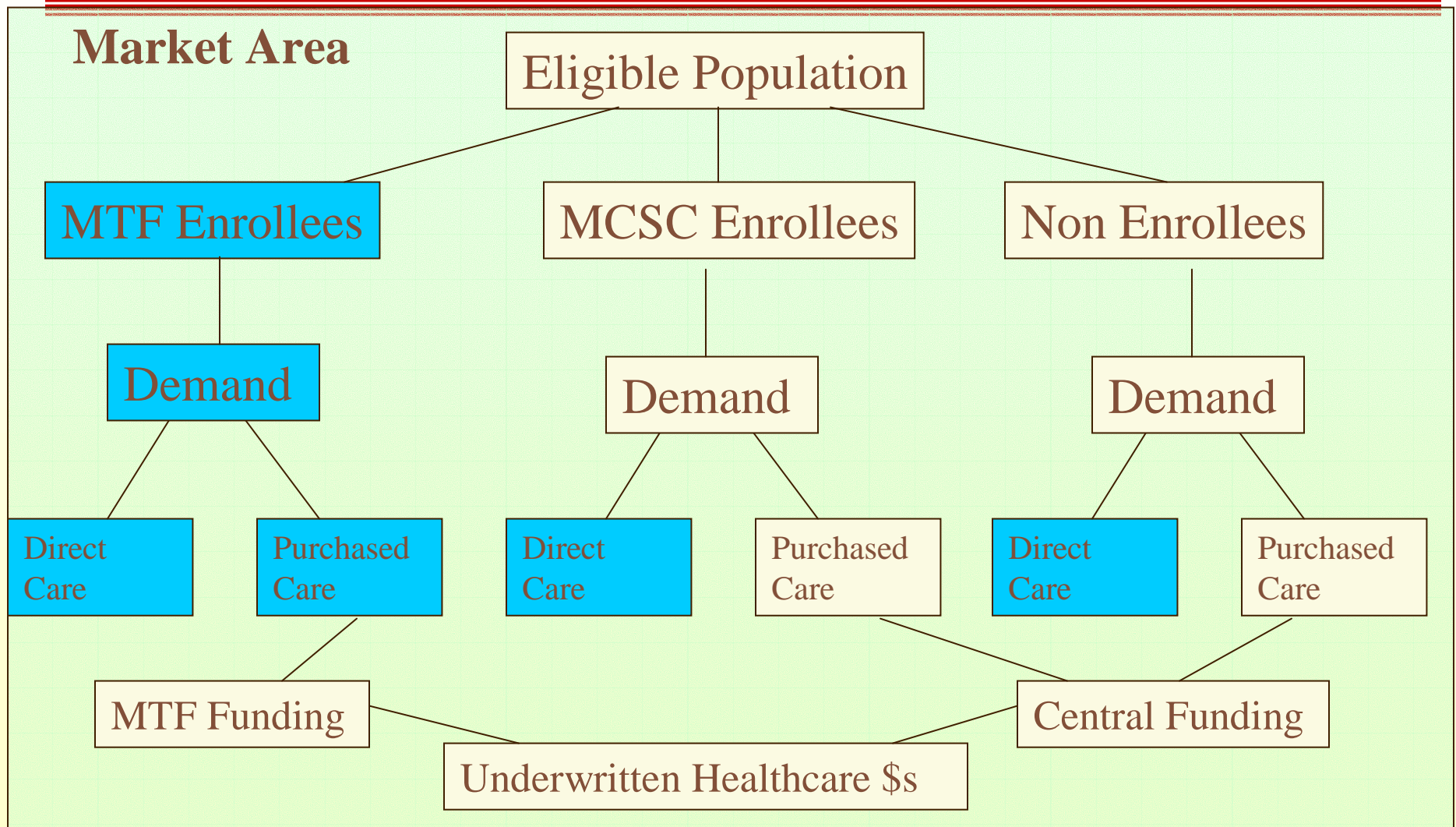
**Starting with historical levels and MTF Business Plans, Market Managers and Regional Directors will create business plans based on a standard template and using standard measures to answer the following business questions:**

- How many people are expected to enroll?
  - To MTFs
  - To MCSC
- What amount of health care will the enrollees demand?
- What amount of health care will non-enrollees demand?
- What amount of health care will be produced in MTFs?
  - For MTF enrollees
  - For MCSC enrollees
  - For non-enrollees
- What amount of health care will be purchased in the civilian sector?
  - For MTF enrollees
  - For MCSC enrollees
  - For non-enrollees



# Market Area Business Plan

## Single or Multi-Service

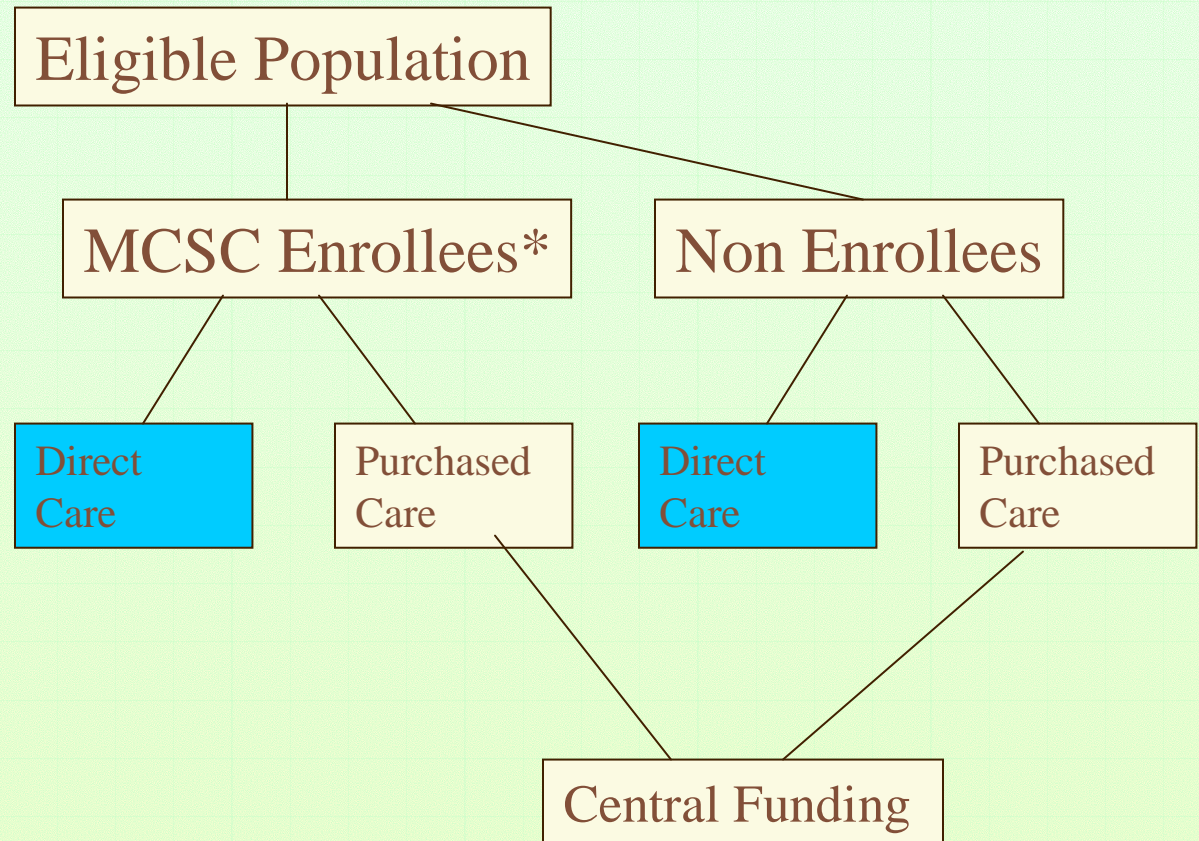


From MTF Business Plans



# White Space Business Plan

## White Space



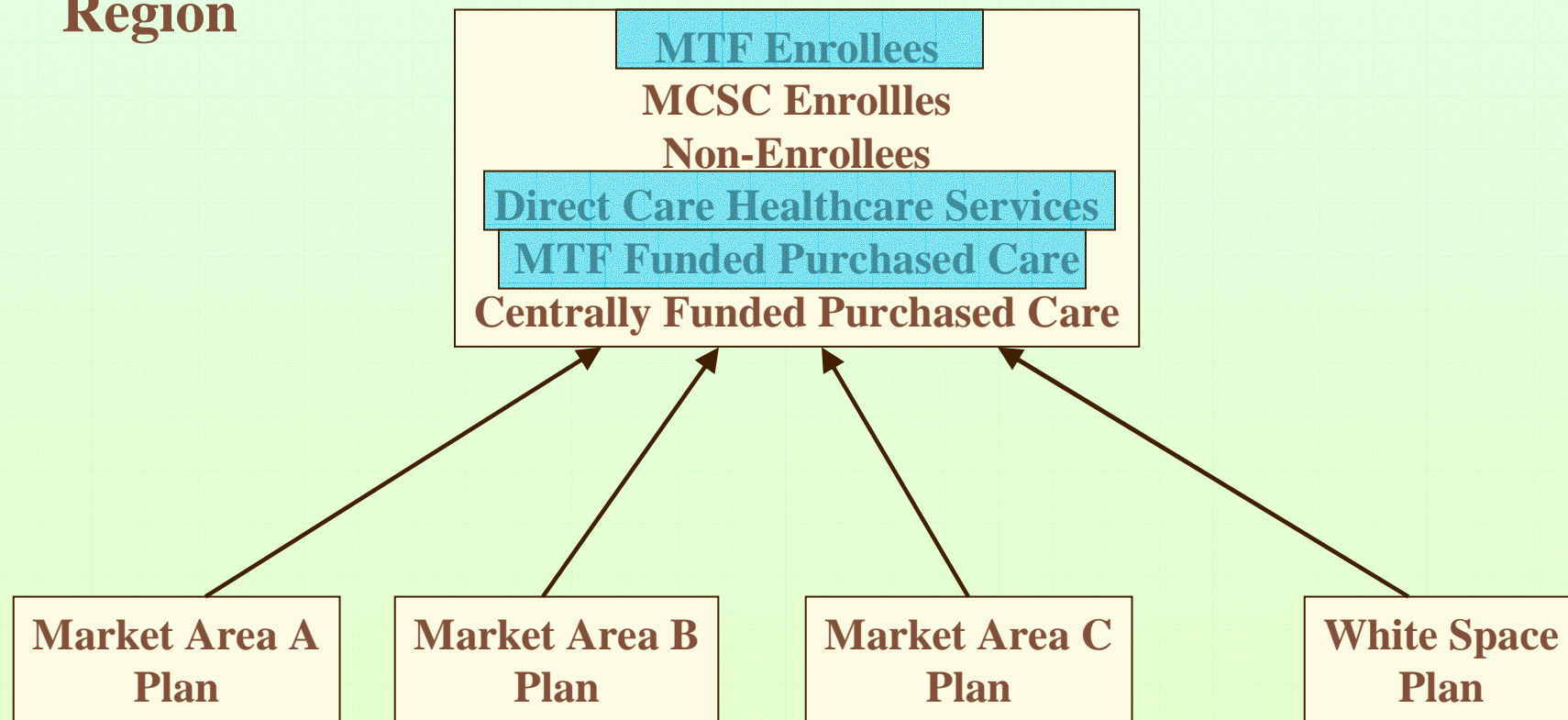
From MTF Business Plans

\* Includes TPR



# Regional Business Plan

## Region



From MTF Business Plans





# Prospective Payment Budgeting Valuing Business Plans

## Value of MTF business plans

- Capitated rate for enrollees
- Fee for Service rate for space available care

## Rates based on price at which care can be purchased

- CMAC rates
- Not MTF costs

## Computed at MTF level but allocated to services

- Rolled up to Services



# Prospective Payment Budgeting Basic Equation

$$\begin{array}{ccccc} \boxed{\begin{array}{l} \text{Capitated Payment} \\ \text{based on} \\ \text{Enrollment at MTF} \end{array}} & - & \boxed{\begin{array}{l} \text{Fee for Service Payment} \\ \text{for MTF-enrollee care} \\ \text{delivered by MCSC} \end{array}} \\ & & & & \\ - \boxed{\begin{array}{l} \text{Fee for Service Payment} \\ \text{for MTF-enrollee care} \\ \text{delivered by other MTFs} \end{array}} & + & \boxed{\begin{array}{l} \text{Fee for Service Payment} \\ \text{for non-MTF-enrollee} \\ \text{care delivered at the} \\ \text{MTF} \end{array}} \\ & & = & & \\ & & \boxed{\begin{array}{l} \text{Business Plan} \\ \text{Value} \end{array}} \end{array}$$



# Prospective Payment Budgeting Valuing Business Plans

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## **Fee for Service Rate**

- Based on average amount allowed
- Adjusted for geography

## **Capitation Rate**

- Adjusted for Age Group, Gender, and BenCat
- Utilization X Price
- Using DoD average utilization
- Prices based on geography



# Prospective Payment Budgeting Issues

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 **Pharmacy**

 **Ancillary**

 **Incorporation into POM/Budget**

 **Timing for Reconciliation**

 **Incentives/Disincentives**

- MTF referrals
- TFL beneficiaries

 **Catastrophic**

 **Automation**



# Conclusion

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## Well thought out Business Plans needed for:

- T Nex administration and governance
- Budget formulation and justification
- Prospective Payment Budgeting